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IN THE

Supreme Court of the United States

OCTOBER TERM, 1947.

No. 318

MISHAWAKA RUBBER AND WOOLEN MANUFACTURING COMPANY,
Petitioner,

vs.

S. S. KRESGE COMPANY,
Respondent.

PETITION OF MISHAWAKA RUBBER AND WOOLEN MANUFACTURING COMPANY FOR A WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SIXTH CIRCUIT AND BRIEF IN SUPPORT THEREOF.

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To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

Your petitioner, Mishawaka Rubber and Woolen Manufacturing Company, respectfully prays for a Writ of Certiorari to the Circuit Court of Appeals for the Sixth Circuit to review the final judgment of that court entered on the 12th day of May, 1947 (petition for rehearing denied June 4, 1947). A transcript of the record in this case, including the proceedings in said Circuit Court of Appeals, is furnished herewith in accordance with the rules of this Court.

SUMMARY AND SHORT STATEMENT OF THE MATTER INVOLVED.

Litigation History.

This is a case of trade-mark infringement and unfair competition.

Respondent was held to have infringed the petitioner's trade-mark, registered under the Trade-Mark Act of 1905, and to have been guilty of unfair competition. (Short R. 123).[1]

The accounting phase of the decree was reviewed by this Court at an interlocutory stage[2] and was reversed. (Acct. R. 1.) Proceedings under the revised decree and the accounting order entered thereunder have been completed and a final judgment has now been entered. (Acct. R. 129.)

Petitioner urges that the revised decree and accounting order and the final judgment have not given proper effect to the mandate of this Court.

Factual Background.

Petitioner, which manufactures and sells shoes and rubber heels, employs a trade-mark registered under the Trade-Mark Act of 1905 consisting of a red circular plug

1. There are three printed records in this case:
   Orig. R.: The original record, filed in this Court in connection with the first petition for writ of certiorari (No. 649, October Term, 1941);
   Short R.: The abbreviated record, filed in this Court for use in the proceedings after the writ of certiorari was granted; and
   Acct. R.: The accounting record, filed herewith.

2. *Mishawaka Rubber and Woolen Mfg. Co.* v. *S. S. Kresge Co.*, No. 649; October Term, 1941; 316 U. S. 203.

embedded at the center of the heel. (Reg. No. 36,471; Short R. 133.) It has spent considerable sums of money in promoting the mark as the symbol of a dependable manufacturer and as the assurance of a desirable product. (Short R. 121.)

Respondent sold heels, not made by the petitioner, but bearing circular plugs of red or reddish color "so closely resembling that of plaintiff [petitioner] that it is difficult to distinguish the products sold by the defendant from the paintiff's products." (Short R. 122.) These were found to infringe and their sale was enjoined. Moreover, the respondent was found to be guilty of unfair competition in its methods of sale. (Short R. 122.)

The unfair competition related to the selling by respondent of heels which were similar to the infringing heels, except for the color of the plug, and which were displayed for sale indiscriminately mixed with the infringing heels. (Short R. 122.)[1]

Under the original decree, the respondent was ordered to account to the petitioner for its profits resulting from the infringement, but the decree contained a proviso which, in effect, required the petitioner to prove by a procession of witnesses that each of them thought he was buying petitioner's heels and that otherwise he would not have bought said heels. (Short R. 131.)

The decision of this Court required (a) elimination of this objectionable proviso in the accounting for profits and (b) assessment of damages if the petitioner suffered damages beyond the loss of profits. (Acct. R. 5.)

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1. For convenience a chronological summary is included herewith in the appendix, showing the history of the respondent's infringement and unfair competition.

Accounting Proceedings.

A revised interlocutory decree and an accounting order were entered under the mandate of this Court and proceedings were conducted to determine the amount due to the petitioner thereunder. (Acct. R. 29-31.) The petitioner and the respondent were in general agreement as to the amounts involved, but differed as to what should be included in the final judgment.

The respondent's profits were computed as follows:

Red marked heels	$ 6,960.28
Orange marked heels	12,460.00[1]
Other colored heels mixed with red	20,570.00

(Acct. R. 113.)

The petitioner's litigation expense, occasioned by the respondent's continued infringement and unfair competition after notice was, up to November 25, 1945, $33,856.16. (Acct. R. 101.)

The District Court limited recovery to $6,960.28, the amount realized by the respondent from its sale of heels with red circular marks, only. The so-called "orange" or reddish heels were excluded from the recovery, as were those with marks in colors other than red which had been commingled and sold with the red. Moreover, the District Court denied a recovery of damages. (Acct. R. 129.)

Appeal was taken to the Circuit Court of Appeals for the Sixth Circuit which affirmed the decision of the District Court without opinion. (Acct. R. 144.)

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1. The respondent urged that this amount should be $11,105.42. (Acct. R. 117.)

JURISDICTION.

1. The date of the judgment to be reviewed is May 12, 1947; petition for rehearing was denied June 4, 1947.

2. The judgment was entered in a civil action involving trade-mark infringement under the trade-mark statutes and unfair competition.

3. The statutes under which jurisdiction is invoked are Sec. 240(a) of the Judicial Code, 28 U. S. C. 347; 28 U. S. C. 350; and Secs. 12 and 18 of the Trade-Mark Act of 1905, as amended, 15 U. S. C. 92 and 98.

4. While this is a suit involving trade-mark infringement and unfair competition, the questions submitted for review are not limited to this specific controversy, but are general questions raised by the decision of the District Court as affirmed by the Circuit Court of Appeals for the Sixth Circuit. Jurisdiction is shown under Rule 38 (5b) of this Court as follows:

a. An important question not previously decided in this Court.

b. Conflict in important respects between the Circuit Court of Appeals for the Sixth Circuit and the Circuit Court of Appeals for the Seventh Circuit.

c. Failure to comply with the mandate of this Court in this case.

d. Such departure from the accepted and usual course of judicial proceedings as to call for an exercise of this Court's power of supervision.

5. Cases believed to sustain the jurisdiction are:

S. S. Ansaldo San Giorgio I v. *Rheinstrom Bros. Co.*, 294 U. S. 494.

Mumm v. *Decker & Sons*, 301 U. S. 168.

Magnum Import Co. v. *De Spoturno Coty*, 262 U. S. 159.

Hutchinson, Pierce & Co. v. *Loewy*, 217 U. S. 457.

QUESTIONS PRESENTED.

1. Where this Court has ruled that damages beyond loss of profits should be assessed against an infringer and where a measure of such damages has been proved in the form of litigation expenses, should the accounting exclude such damages?

2. Where the District Court held that profits on "reddish" as well as "red" heels should be recovered, and then failed to award any profits on "reddish" heels, and this holding was affirmed by the Circuit Court of Appeals, should the lower courts be ordered to include profits on "reddish" heels under the general supervisory authority of this Court?

3. Where an infringer has used the infringing articles to promote the sale of other articles similarly marked except for color, and where such methods of sale have been held to be unfair competition, should the infringer be permitted to retain the profits from the sale thereof?

REASONS FOR ALLOWING THE WRIT.

1. Because the refusal of the Sixth Circuit Court of Appeals to allow recovery of litigation expense as damages where trade-mark infringement has been continued after direct notice involves a question of general importance not previously considered by this Court, but previously decided to the contrary by the Seventh Circuit Court of Appeals.

2. Because the decision of the District Court on the accounting as affirmed by the Circuit Court of Appeals, was so inconsistent with the law of this case and with the mandate of this Court herein that the inconsistencies should be corrected.

3. Because the respondent *used* the infringing marked heels to promote the sale of other heels commingled therewith in a manner held to be unfair competition and made profits therefrom attributable to the infringement which it should not be permitted to retain.

Respectfully submitted,

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Respondent.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

THE OPINIONS OF THE COURTS BELOW.

Original Proceedings.

The opinion of the District Court in the original proceedings is not reported but will be found beginning at page 120 and extending through page 132 of the Short Record previously filed in this Court (No. 649; Oct. Term, 1941).

The opinion of the Circuit Court of Appeals for the Sixth Circuit is reported in 119 F. 2d 316. (Short R. 153.)

The opinion of this Court is reported in 316 U. S. 203. (Acct. R. 1.)

Accounting Proceedings.

The opinion of the District Court in the accounting proceedings is reported in 67 F. Supp. 1000. (Acct. R. 118-124, 129.)

The judgment of the Circuit Court of Appeals for the Sixth Circuit was not accompanied by an opinion and is not reported but will be found on page 144 of the Accounting Record filed herewith.

POINT I.

The Sixth Circuit Court of Appeals Denied Recovery of Damages Consisting of Litigation Expense Where Trade-Mark Infringement Was Continued After Direct Notice.

a. This involves a question of general importance not previously considered by this Court.

b. The Seventh Circuit Court of Appeals recently decided the same question to the contrary.

a. Question of General Importance.

The lower court in this case found:

> "The heels sold by the defendant [respondent] were of inferior quality as compared with the heels manufactured and sold by the plaintiff [petitioner] and attached to their product, and *this tended to destroy the good will created by the plaintiff in the manufacture of its superior product.* Likewise, when one of the defendant's heels was attached to footwear not manufactured by the plaintiff it would tend to cause purchasers to believe that the *entire article of footwear* was manufactured by the plaintiff." (Short R. 122, par. 11.) (Italics ours.)

Thus it is settled that the acts of the respondent tended to destroy the petitioner's good will to an extent beyond the particular articles as to which profits were awarded. The extent of the injury is uncertain, but the fact of legal injury is established.

> "The most elementary conceptions of justice and public policy require that the wrongdoer shall bear the risk of the uncertainty that his own wrong has created." *Bigelow* v. *RKO Radio Pictures,* 327 U. S. 251, 265.

The injury to the petitioner's good will resulting from the respondent's use of the infringing marks on inferior heels is not measurable. It is beyond argument however, that the respondent's imitation of petitioner's trade-mark, which is known for superior quality (Short R. 122), on heels of inferior quality (Short R. 122), sold extensively for more than two years, detracted from the reputation of the petitioner's trade-mark.

The petitioner introduced evidence of litigation expense occasioned by the respondent's infringement as one measure of the actual damage the petitioner sustained as a result of the respondent's persistent infringement after notice. (Acct. R. 101.) The same measure had been used in a similar case in the Seventh Circuit. *Aladdin Mfg. Co.* v. *Mantle Lamp Co. of America* (CCA 7), 116 F. 2d 708.

This Court has not previously ruled on whether litigation expense will be allowed as damages in a case where the litigation is necessitated by wilful and persistent trade-mark infringement and unfair competition. The liberal view of this Court has been expressed, however, in *Story Parchment Co.* v. *Paterson Parchment Paper Co.,* 282 U. S. 555, 565-6:

> "The constant tendency of the courts is to find some

> way in which damages can be awarded where a wrong has been done. Difficulty of ascertainment is no longer confused with right of recovery."

Litigation expense is a reliable measure of damages where a wrong has been done but where the exact extent is difficult of ascertainment. Such relief is believed to be particularly appropriate in the present case.

The question relates to an important aspect of the law of trade-marks and unfair competition, which has not been, but should be, settled in this Court.

b. Conflict Between Two Circuits.

The Circuit Court of Appeals for the *Seventh* Circuit has held, recently, that litigation expense is recoverable from a wilful and fraudulent trade-mark infringer. ***Aladdin Mfg. Co.*** **v.** ***Mantle Lamp Co.*** **(CCA 7), 116 F. 2d 708.**

In that case, the court stated (p. 717):

> "In the present case, there was direct proof that because of the fraudulent and wilful infringement and unfair competition of appellee, appellant incurred legal expenses aggregating $18,515.03."

The court then proceeded to award this sum as part of the compensatory damages.

The instant case involves a similar set of facts, but the decision is contrary. Here, the petitioner repeatedly notified the respondent of its infringement. The respondent agreed to desist (Short R. 140), but violated its agreement by continuing to procure and sell the heels with circular marks of red and reddish colors. (Short R. 123.) The petitioner exhausted every possibility of amicable settlement before seeking relief in the courts. Even then the respondent continued its infringement and unfair competition until enjoined. (Short R. 115.)

The respondent's *wilfulness* is shown by its persistent infringement after notice and by its failure to respect its agreement to adopt a color unlike red. It adopted a color variously described by the District Judges as *"reddish"* (Orig. R. 321) and as a "shade" of red. (Short R. 115.) Moreover, after notice, the respondent procured and sold heels with *red* marks of precisely the same color, size, shape, and location on the heels as those regarding which the original notice of infringement was given. (Acct. R. 34; Short R. 87.)

The respondent's *fraud* is shown by its persistent infringement after being notified to desist (Short R. 123), under which circumstances *"fraud • • • will be presumed"*. *Lawrence Mfg. Co.* v. *Tennessee Mfg. Co.*, 138 U. S. 537, 549; *McLean* v. *Fleming*, 96 U. S. 245, 252.

Thus, in the Seventh Circuit, when a tort feasor has wilfully and fraudulently continued its infringement and unfair competition after notice, necessitating resort to the courts, litigation expense has been awarded as a part of the compensatory damages.

Under the same circumstances, litigation expense has been denied in the Sixth Circuit, in the present case.

The conflict calls for review by this Court and such review is respectfully urged.

POINT II.

The Decision of the District Court on the Accounting Was So Inconsistent With the Law of This Case and With the Mandate of This Court That the Inconsistencies Should Be Corrected.

a. Mandate of This Court.

This Court, in its review of the original decree herein, ruled that "if the petitioner suffered damages beyond the loss of profits, the decree should provide for the assessment of such damages." *Mishawaka Rubber & Woolen Mfg. Co.* v. *S. S. Kresge Co.*, 316 U. S. 203, 205. (Acct. R. 5.)

Pursuant to the decision of this Court, the District Court entered judgment requiring the respondent to account for:

> "* * * such damages beyond loss of profits as may be shown by the plaintiff [petitioner] on the account". (Acct. R. 30.)

This was in harmony with Sec. 19 of the Trade-Mark Act of 1905 (15 U. S. C. 99) which provides that:

> "* * * upon a decree being rendered in any such case for wrongful use of a trade-mark the complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby".

The fact that the petitioner has been put to expense because of the respondent's acts of infringement was recognized at one time by the same District Judge, who later failed to award damages.

> "* * * I am not in accord with the defendant's [respondent's] claim that there was no evidence of damage in the record so far, it clearly appearing that the plaintiff [petitioner] was put to the trouble and expense of notifying the defendant of the infringement, and checking the activity of the defendant in various communities". (Acct. R. 8.)

The record shows even more. The respondent agreed to use a color unlike red in its heel trade-marks (Short R. 140), but merely shaded off to a reddish or so-called "orange" color (Short R. 86), and thereafter *resumed* the use of outright red. (Short R. 87.) The continued infringement after direct notice necessitated the filing of the complaint in this case. Even then the respondent continued its infringement until enjoined by preliminary injunction, more than 27 months after direct notice of infringement. (Short R. 115.)

It is clear from the evidence that the respondent's infringement was so persistent and continued for so long in this case that litigation was necessary in order to obtain injunctive relief. The litigation had to be continued further to obtain full relief. In other words, the expense of the litigation is an expense directly attributable to the respondent's wilful and persistent infringement.

Proof was introduced by stipulation showing that the expense of this litigation up to November 25, 1945, was $33,856.16. (Acct. R. 101.)

Under the decision of this Court *in this case,* the petitioner is entitled to recover damages beyond the loss of profits. (Acct. R. 5.) Damages beyond loss of profits have been shown. (Acct. R. 101.) But the final judgment awards no damages. (Acct. R. 129.)

No explanation is given in either the District Court or in the Circuit Court of Appeals for the denial of the relief required under the decision of this Court, and accordingly review is believed to be imperative to bring the decisions of the lower courts into harmony with the decision of this Court in this case.

b. Incomplete Accounting for Profits.

Under the terms of the accounting order in this case, the petitioner is entitled to recover the respondent's profits on its sales of rubber heels with *"red or reddish"* circular inserts. (Acct. R. 31.)

The District Court, however, excluded from the final judgment the very heels which it had described as *"reddish"* (Orig. R. 321), and which another judge of the same court had described as a "shade" of red. (Short R. 115.)

The excluded heels have been referred to generally throughout this case as having "orange" circular inserts. However, from a technical viewpoint, the inserts are more nearly TILE RED or HENNA, according to a comparison with the color charts in the *Merriam-Webster New International Dictionary, Second Edition.*

When the original decree was entered, the petitioner sought to have the word "orange" included because of the possible ambiguity as to the term "reddish". (Orig. R. 315.) The District Judge declined to change the phraseology but said he would be inclined to consider the so-called "orange" heels to be "reddish". (Orig. R. 321; Acct. R. 15.)

Since the heels with the "orange" inserts were not *specifically* included within the term "reddish", the petitioner sought to have them included, *specifically,* on the first appeal to the Circuit Court of Appeals and in the original petition for writ of certiorari herein.

During the accounting, however, the respondent interpreted the petitioner's plea for a more specific injunction as an admission that the heels with "orange" inserts were *excluded* from the term "reddish". This, of course, is an unwarranted inference from the petitioner's statement that these heels were *not included* in the original, am-

biguous injunction, as petitioner merely sought to have the decree say, *specifically,* what the lower court had indicated that it actually meant.

Since a more specific definition was not obtained, it is now necessary to look to the intent of the District Judge who entered the order—at the time the order was entered. At that time he considered that the term "reddish" applied to the so-called "orange" heels. (Orig. R. 321.) It is respectfully submitted that in the proceedings under the accounting order, the intent of the District Judge who framed the original accounting order—*at the time he framed it*—should be controlling.

c. Respondent's Infringement Not Innocent.

The District Court, in its decision on the accounting, declared that the respondent's "infringement was neither deliberately wilful nor in bad faith". (Acct. R. 123.)

This conclusion conflicts with the settled law of this case!

It is settled that the respondent:

a. Continued its infringement after direct notice;
b. Switched to a "reddish" color after agreeing to adopt a color "unlike red";
c. Reverted to outright red; and
d. Did not stop infringing until enjoined more than two years after notice.

As against this, the respondent cites the Circuit Court of Appeals comment that there is no evidence that the mark was "adopted" for the fraudulent purpose of attracting business from the petitioner. This may be true. There is no proof of fraudulent intent at the *inception* of the respondent's infringement.

But when the respondent continued to infringe after

receiving direct notice and after agreeing to discontinue the infringement, **fraud is presumed.** *Lawrence Mfg. Co.* v. *Tennessee Mfg. Co.*, 138 U. S. 537, 549. Such is the law of trade-marks—and **it is the law of this case!** *Mishawaka Rubber & Woolen Mfg. Co.* v. *S. S. Kresge Co.* (C. C. A. 6), 119 F. 2d 316, 324. (Short R. 159.)

d. Unfair Competition.

The District Court's conclusion of law on the accounting that the heels other than the red did not unfairly compete (Acct. R. 121) conflicts with the settled law of this case, as enunciated by the same District Judge. (Short R. 122, 123.)

The original findings of fact and conclusions of law were not at issue during the accounting. They remain the law of the case. According to the original findings, the respondent's indiscriminate mixing of the red and reddish marked heels with those bearing similar marks in other colors constituted unfair competition in the methods of sale. (Short R. 122.)

The ruling by the District Court on the accounting is inconsistent with the law of this case, and the denial of relief predicated on that inconsistency is clearly erroneous.

From the foregoing, it is clear that the District Court's final judgment departs from its original decision in at least four respects:

1. It denies the relief required by the mandate of this Court *in this case.*

2. It excludes from the accounting heels which it had indicated were contemplated within the original decree.

3. It rejects the established rule that fraud is presumed where an infringer persists in its infringement after direct notice.

4. It disregards its own earlier ruling that the respondent was guilty of unfair competition in its methods of sale.

Notwithstanding the fact that the original findings were not in issue during the accounting, the District Court has now decided that the respondent's infringement was "innocent", that its continued violation of its promise to switch to a color unlike red was in "good faith", that the heels described by the District Judge as "reddish" are not "reddish", and that the unfair methods of sale were not tortious. The District Court has gone even further in denying the damages provided for under the decision of this Court.

Despite these inexplicable inconsistencies, the Circuit Court of Appeals affirmed without opinion. The case came up for hearing **April 8, 1947**, *seven* days after the respondent filed its main brief. Under the rules of the Circuit Court of Appeals, the petitioner was entitled to *twenty* days in which to reply to the respondent's brief, and at the hearing the court granted permission to file such a reply on or before **April 18, 1947**. On **April 10, 1947**, the court entered an order affirming the decision of the District Court—without opinion.

Upon calling the matter to the court's attention, the order was vacated and then re-entered in substantially the same form after the petitioner's reply brief had been filed. (Acct. R. 143, 144.)

It is respectfully submitted that the District Court committed serious error in disregarding the settled law and facts of this case, and in failing to enter judgment in conformity with the controlling opinion of this Court. It is submitted further that the Circuit Court of Appeals should have corrected the District Court's errors—particularly in view of this Court's reversal of the appellate court's

original decision—and that failure to do so without opinion and with no indication of careful consideration was such a departure from the usual and accepted course of judicial proceedings as to necessitate the exercise of this Court's supervisory authority.

POINT III.

The Respondent Used the Infringing Marked Heels to Promote the Sale of the Other Heels Commingled Therewith in a Manner Held to Constitute Unfair Competition and Made Profits Therefrom Attributable to the Infringement Which It Should Not Be Permitted to Retain.

It is the law of this case that the respondent was guilty of unfair competition in its methods of sale. (Short R. 122, 123.) The final judgment, however, fails to allow any recovery based on the unfair competition.

The respondent's initial wrong occurred when it sold rubber heels with infringing red circular marks. The petitioner made emphatic objection to the simulation of its registered trade-mark and insisted upon discontinuance of the infringement. (Short R. 138.)

The respondent agreed to use a color "unlike red" (Short R. 140) and selected a reddish-yellow or so-called "orange" color (Short R. 86) later described as a "shade" of red by the District Judge who granted the preliminary injunction herein (Short R. 115), and as "reddish" by the District Judge who presided over the subsequent proceedings. (Orig. R. 321.)

After continued objection by petitioner, the respondent *resumed* selling heels with *red* circular marks, which it procured from another manufacturer. (Short R. 87.)

These two types of *red* circular marks and the *reddish* circular marks were displayed and sold in counter compartments where they were mixed with other heels bearing identical and similar marks in colors other than red or reddish. (Short R. 122.)

The effect of the commingling was to signify to the purchasing public that all of the heels so intermixed were related. The infringing red and reddish circular marks and the corresponding marks in other colors were identified together so that the "commercial magnetism" of the red circular symbol was extended to the other marks. This was held to be unfair competition. (Short R. 122, 123.)

Manifestly, if the infringing heels were endowed with special sales appeal because of the reputation of the red circular figure trade-mark, by which they were identified, then the other heels which were indiscriminately mixed therewith were endowed with the same special sales appeal by being identified as related to and coming from the same source as the infringing heels.

In other words, the respondent's unfair competition in its methods of sale yielded additional profits (Acct. R. 116) attributable to the infringement by extending the sales appeal of the red and reddish marked heels to the other heels with which they were identified.

The petitioner urges that it is entitled to an accounting of the respondent's profits on its sales of the heels identified and commingled with the infringing heels. To hold otherwise is to sanction the use of infringing heels to promote the sales of the other heels and to grant a windfall to the respondent as a result of its unfair competition.

Conclusion.

Wherefore, petitioner earnestly prays that the petition for writ of certiorari be granted, the case be reviewed, and the decree of the Circuit Court of Appeals for the Sixth Circuit, denying the petitioner the relief to which it is entitled by law, be reversed.

Respectfully submitted,

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APPENDIX.

Chronological Summary Showing History of Respondent's Infringement and Unfair Competition.

1933 **January**—Respondent began selling heels with infringing *red* circular figure trade-mark. (Short R. 86.)

May 5—Petitioner complained of mark as infringing its registered trade-mark. (Short R. 46, 138.)

May 19—Respondent agreed to use "some other color unlike red". (Short R. 46, 140.)

June 6—Respondent began selling heels with so-called "*orange*" or *reddish* trade-mark. (Short R. 49, 86.)

1934 **February 15**—Petitioner complained of continued sale of infringing heels. (Short R. 49, 141.)

Spring—Respondent began selling heels with *beige* circular trade-mark. (Short R. 87.)

June 14—Petitioner again complained of respondent's continued sale of infringing heels. Petitioner also objected to indicriminate mixing of red marked heels with heels bearing similar marks in other colors. (Short R. 142.)

July 1—Respondent began purchasing and selling heels with infringing *red* circular mark obtained from a new source. (Short R. 87.)

September 15—Respondent began selling heels with *yellow* diamond shaped mark. (Short R. 87.)

December 1—Respondent began selling heels with *green* circular mark. (Short R. 87, 91.)

NOTE: *Respondent continued to sell the infringing heels and the heels bearing the other marks indiscriminately mixed together during this period until the preliminary injunction was granted.*

1935 **August 10**—Preliminary injunction granted restraining respondent from selling any heels with red circular marks and from procuring any heels with circular marks in red "or any shade thereof including orange." (Short R. 115.)

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1947.

No. 318

MISHAWAKA RUBBER AND WOOLEN MANUFACTURING COMPANY,
Petitioner,

vs.

S. S. KRESGE COMPANY,
Respondent.

PETITIONER'S REPLY TO RESPONDENT'S BRIEF.

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PETITIONER'S REPLY TO RESPONDENT'S BRIEF.

Respondent's brief contains numerous inaccuracies and misleading implications, and accordingly the petitioner avails itself of its right under paragraph 4(a) of Rule 38 to file this reply.

In its brief respondent seeks to attach controlling importance to certain supplemental findings of the District Court and to the findings of the District Court on the accounting.

The supplemental findings on which respondent relies pertain principally to the absence of "direct proof." The District Court did not change or alter its original findings but adhered thereto notwithstanding the absence of certain direct proof.

The respondent places special reliance upon the findings of fact and conclusions of law which the District

Court entered in connection with the accounting herein. These findings and conclusions, however, are inconsistent with the previously settled findings and conclusions, and are the very essence of the present proceeding.

These findings and conclusions, petitioner contends, are erroneous and do not accord with the District Court's earlier findings which became and are the settled law of the case unless and until they are set aside by this Court.

Litigation Expense.

The respondent's discussion of the cases in which litigation expenses have been allowed or denied as a measure of damages supports the petitioner's contention for respondent agrees that where an infringer has been guilty of wilful and wanton infringement, litigation expenses may be properly allowed as damages. (Respondent's Brief, page 14.)

The respondent, however, urges that it was not such an infringer, and quotes the District Court's finding of fact *on the accounting* in support of this proposition. (Respondent's Brief, page 8.)

This was not a proper finding of fact by the District Court as the wilful and wanton character of this trademark infringement was settled at the time of the original proceedings herein.

The portion of the Court of Appeals opinion quoted in the respondent's brief is misleading. It states that there is no evidence that the infringing marks were "**Adopted**" for fraudulent reasons. (Respondent's Brief, page 8.) No matter how innocent the infringement may have been at its inception, the persistence with which it was continued and the respondent's violation of its promise to change to a color unlike red show conclusively the

respondent's bad faith. The Court of Appeals, itself, declared that fraud would be presumed, and that is the law of this case. *Mishawaka Rubber & Woolen Mfg. Co.* v. *S. S. Kresge Co.* (CCA6), 119 F. 2d 316, 324 (Short R. 159). Being thus presumed, no argument about innocence of adoption or lack of "direct proof" can characterize it otherwise.

Conflict of Authority.

The respondent urges that there is no conflict of authority between the Sixth and Seventh Circuits because, in the case of *K. W. Ignition Co.* v. *Temco Electric Motor Co.* (CCA6), 283 Fed. 873, the Sixth Circuit Court of Appeals awarded litigation expenses as damages arising out of wilful trade-mark infringement. As the respondent says, this is in harmony with the view of the Seventh Circuit Court of Appeals in *Aladdin Mfg. Co.* v. *Mantle Lamp Co.* (CCA7), 116 F. 2d 708 (Respondent's Brief, page 14).

However, the decision of the Sixth Circuit Court of Appeals in the present case in effect overrules its earlier decision in the *K. W. Ignition* case and creates a conflict with the Seventh Circuit which did not exist previously.

It is the law of this case that the respondent's infringement was fraudulent because it was continued after notice. Regardless of what the Sixth Circuit Court of Appeals may have done in the past, it did not allow litigation expenses as damages in this case, where, under the mandate of this Court, the respondent was required to account for any damages beyond the loss of profits suffered by the petitioner. The failure to award such damages does conflict with the decision of the Seventh Circuit Court of Appeals in the *Aladdin* case in which the same question was involved, and it is this conflict which the petitioner asks this Court to review.

Respondent's Authorities.

The respondent in its brief cites certain decisions of this Court in which attorney's fees were not allowed as damages, but none of these cases related to the question involved in this case and in the Seventh Circuit's *Aladdin* case. The question involved here pertains to cases of wilful and wanton trade-mark infringement and unfair competition, continued after direct notice, where the trade-mark owner is forced to resort to the courts in order to obtain relief.

There is no question about the petitioner's ownership of the red circular figure as a trade-mark for rubber heels. It is settled that the respondent's red and reddish circular marks on its rubber heels infringed the petitioner's federally registered trade-mark. It is settled, also, that upon receiving direct notice of infringement and agreeing to respect the petitioner's trade-mark rights, the respondent not only failed to do so, but also procured more infringing heels from a new source.

It is clear that this litigation was necessitated because the respondent did not do what it said it would do—because of the respondent's bad faith.

Evidently the respondent recognized in 1933 that it had no right to use the red circular figure trade-mark for it agreed to change. Instead of doing so it ordered more heels with red circular figures in 1934 and was still selling them in 1935, in utter disregard of its assurances to the contrary.

It respectfully submitted that under these circumstances, this protracted litigation stems directly from the respondent's bad faith, and the respondent should be required to bear the expense.

Unfair Competition.

We do not understand the respondent's assertion that there was no unfair competition (Respondent's Brief, page 20) because the District Court held specifically as follows:

> "12. * * * the methods used in the sale of defendant's (respondent's) products constituted unfair competition." (Short R. 122.)
>
> "5. The defendant * * * is guilty of unfair competition and such * * * unfair competition continued after direct notice to the defendant." (Short R. 122.)

The foregoing findings have not been modified. They are the law of this case and should be given effect as such!

Ambiguity Not Defined.

The respondent states, incorrectly, that the orange marked heels were found not to infringe at the time the original decree was entered in this case, on December 29, 1939. (Respondent's Brief, page 3.) The respondent cites "Short R. 131" in support of this statement but that page contains no such finding. It contains only the original decree which contains the ambiguous phrase, "red or reddish."

It is true, as the respondent states, that the petitioner asked the District Court to enter a decree which would extend to "red or reddish"—

> "* * * including orange or any colorable variation thereof * * *." (Orig. R. 310.)

In refusing to enter this decree, the District Court was rejecting the *terminology, only.* This is made clear in the subsequent proceedings wherein the District Judge himself stated that he would be inclined to consider the orange-marked heels as reddish. (Orig. R. 321.) In other

words, the District Judge construed the phrase "red or reddish" as including the orange marks and he apparently regarded the terminology suggested by the petitioner as mere surplusage.

Conclusion.

The respondent has resurrected numerous extraneous questions which long since have been settled. Raising them anew serves only to blur the real issues.

It is respectfully urged that the arguments contained in the respondent's brief do not meet the issues raised in the petition for writ of certiorari, and accordingly, that the writ should be granted.

Respectfully submitted,

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Respondent

BRIEF OF RESPONDENT

RESPONDENT'S STATEMENT OF THE CASE

Petitioner's statement of facts is incomplete and could lead to an inaccurate conclusion. Respondent declines to accept the statement. See Paragraph 4 Rule 27, Revised Rules of the Supreme Court.

The S. S. Kresge Company does not manufacture the heels it sells. The replacement heels involved in this case were purchased at wholesale by the Kresge Company from three (3) independent manufacturers—O'Sullivan Rubber Company, Inc., of New York City and Gettysburg, Pennsylvania, Essex Rubber Company of Trenton, New Jersey, and Boston Woven Hose and Rubber Company of Boston, Massachusetts (Short R. 16-17).

In its statement of facts entitled *Factual Background*, petitioner has relied largely upon the original findings of fact filed by the District Court under date of December 6, 1938 (Short R. 120). These findings of fact must be read in the light of subsequent Amended Findings of Fact filed October 5, 1939, at page 124, and Additional Amended Findings of Fact filed November 27, 1939, beginning on page 126 (Short R. 124-126). Petitioner has omitted any reference to the Additional Amended Findings of Fact which obviously are an important part of the Factual Background.

The District Court found and the Circuit Court of Appeals affirmed the finding of the following facts:

> "(a) There is no direct testimony that the defendant, S. S. Kresge Company, its agents and employees, did and there is testimony that they did not attempt to palm off in any instance its heels as the heels manufactured by the plaintiff company.
>
> (b) I find that there is no proof that any purchases of heels from the defendant, S. S. Kresge Company, was (fol. 302) motivated by a belief on the part of the purchaser that he was getting plaintiff's product but there is reasonable likelihood that some may have.
>
> (c) There is no direct proof that the plaintiff, Mishawaka Rubber Company has lost sales as a result of purchases made from the defendant, S. S.

Kresge Company, of either the Crusader heel or the Sure-Foot heel with the trade-mark in the color red.

(d) That the replacement heels offered for sale by the defendant, S. S. Kresge Company, when placed by them upon their counters were never indiscriminately displayed together but were customarily and usually arranged in such a manner as to display a variety of the colored inserts to the prospective purchaser and without emphasizing any colored insert over any other colored insert, and in each instance segregating and massing particular colors together in order to provide an attractive display of the articles but there is proof that subsequently some of these heels became indiscriminately mixed.

(e) That nearly all of the rubber heels which were on display in the S. S. Kresge Company stores covered by plaintiff's affidavits have borne in addition to the colored marks identifying trade marks, symbols or other indicia which further indicates that the heels being offered for sale by the S. S. Kresge Company were not the heels manufactured by the plaintiff.

(h) to add to paragraph 9 of page 3, the following:

There is, however, in the record no direct proof of any ordinary purchaser being misled into believing that heels marketed by the defendant were products of the plaintiff company." (Short R. 128, a, b, c; Short R. 129, d, e, and h.)

Only the "heels bearing an ornamental dress consisting of any red or reddish circular ball figure appearing on the face portion of the heel" were held to infringe and the sale thereof enjoined. All other heels bearing marks of all other colors including orange were found not to infringe by the District Court (Short R. 131) which was affirmed by the Circuit Court of Appeals (Short R.

153). 119 F. (2nd) 316. This Court accepted "the infringement found by the two lower courts" and brought the case here "solely to review the provisions of the decree dealing with the measure of profits and damages" (Acct. R. 2). 316 U. S. 203, 204, 62 S. Ct. Rep. 1022, 1023.

The finding of infringement of only the "Red Crusader" or "Red Sure-Foot" heels exemplified by petitioners Exhibits 79 and 54 was re-affirmed by the District Court in the accounting proceedings (Acct. R. 119) and again affirmed on the second appeal by the Circuit Court of Appeals in its judgment of May 12, 1947 (Acct. R. 144). Therefore, it may now be concluded that the only unlawful actions of defendant (Kresge) were its sales of "Red Crusader" and "Red Sure-Foot" heels, exemplified by plaintiff's Exhibit 79 and 54, respectively (Acct. R. 119).

Immediately following the District Court's judgment on the accounting filed September 28, 1946, in the amount of Six Thousand Nine Hundred Sixty and 28/100 ($6,960.28) Dollars (Acct. R. 141) respondent paid the judgment to the Clerk of the Court. By its second appeal, petitioner has further prolonged this litigation commenced November 28, 1934 (Short R. 1).

SUMMARY OF ARGUMENT

In the interests of brevity we adopt as our summary the concise summary index, page i of this brief.

ARGUMENT

POINT I

BOTH THE DISTRICT COURT AND THE SIXTH CIRCUIT COURT OF APPEALS DECLINED TO AWARD LITIGATION EXPENSES, ATTORNEYS' FEES AND COSTS IN THIS CASE BECAUSE EACH PARTY PREVAILED ON CERTAIN ISSUES AND NEITHER PARTY PREVAILED ON ALL ISSUES

On page 10 of its petition under Point I, petitioner quotes paragraph 11 from the original findings of the District Court filed December 6, 1938 (Short R. 122) in an effort to show damage to its goodwill. It overlooks and fails to disclose to this Court that paragraph 11 must be read in the light of the District Court's Additional Amended Findings of Fact subsequently filed on November 27, 1939, a month before its decree was entered on December 29, 1939. Paragraphs c, e and h of the Additional Amended Findings read as follows:

> "(c) There is no direct proof that the plaintiff, Mishawaka Rubber Company has lost sales as the result of purchases made from the defendant, S. S. Kresge Company, of either the Crusader heel or the Sure-Foot heel with the trade-mark in the color red.
>
> (e) That nearly all of the rubber heels which were on display in the S. S. Kresge Company stores covered by plaintiff's affidavits have borne in addition to the colored marks identifying trade-marks, symbols or other indicia which further indicates that the heels being offered for sale by the S. S. Kresge Company were not the heels manufactured by the plaintiff.
>
> (h) To add to paragraph 9 of page 3, the following:

> There is, however, in the record no direct proof of any ordinary purchaser being misled into believing that heels marketed by the defendant were products of the plaintiff company." (Short R. page 128, c; and page 129, e and h.)

The *tendency* to destroy petitioner's goodwill found by the District Court in the quoted paragraph 11 justified the injunctive relief granted (Short R. 131) but it did not result in any actual damage as indicated by the amended findings quoted above. Furthermore "The finding of the District Court as affirmed by Circuit Court of Appeals," was to the effect "that the only unlawful actions of defendant (S. S. Kresge Co.) were its sales of 'Red Crusader' and 'Red Surefoot' heels exemplified by plaintiff's Exhibits 79 and 54, respectively" (Acct. R. 119).

During the accounting proceedings, petitioner offered no proof of decreased sales or other damage to its good will, therefore the District Court found (Acct. R. 121):

> "10. There were no damages suffered by plaintiff from trade-mark infringement or unfair competition beyond the loss of profits specified in finding 6."

Paragraph 11 is fully discussed by the District Court in its colloquy with Petitioner's counsel during the accounting proceedings (Acct. R. 40, 1, 2) and as there indicated no Court anywhere has found "that Mishawaka ever suffered any damages in connection with this" infringement.

> "9. Defendant's infringement was neither deliberately wilful nor in bad faith. The harshest characterization that can be placed on defendant's actions prior to this suit is that it regarded plaintiff's claim of infringement as lacking in merit, al-

though upon plaintiff's notice of claimed infringement in May, 1933, defendant offered for the sake of business amity to notify its supplier to use a color unlike red on the heel it was then selling, the Essex 'Red Crusader' heel, exemplified by plaintiff's Exhibit 79. Defendant so instructed its supplier of those heels, and within a month shipment of 'Red Crusader' heels to defendant ceased. Plaintiff next complained in February, 1934, that other heels sold by defendant infringed its trade mark. Plaintiff instituted this action in November, 1934. Defendant contested in good faith all claims of infringement and unfair competition charged herein, its defense was sustained in part, and its defense on the limited relief granted to plaintiff was reasonably debatable" (Acct. R. 121).

In connection with the allowance of attorneys fees, District Judge Lederle made the following findings (Acct. R. 123):

"5. In a trade mark and unfair competition case, where, as here, defendant's infringement was neither deliberately wilful nor in bad faith, and it contested in good faith and reasonably all claims of unlawful action, upon which its defense was sustained in part, and the trade mark owner suffered no damages beyond loss of profits, there is no basis for a punitive or exemplary award beyond loss of profits.

6 In a trade mark and unfair competition case where, as here, plaintiff claims in the trial court, in the Circuit Court of Appeals, on application for certiorari and during the subsequent accounting that it is entitled to relief as to six types of heels sold by defendant, all of which defendant defends reasonably and in good faith, and relief limited to two types of heels only is granted to plaintiff throughout, sustaining in part each party's contentions, neither party should be required to bear the burden

of the other's litigation expenses, attorney fees or costs.

8. (b) That no litigation expenses, attorney fees or costs be awarded to either party, and that each party shall bear its own litigation expenses, attorney fees and costs."

A.

LITIGATION EXPENSES AND ATTORNEYS' FEES ARE NOT APPROPRIATE ELEMENTS OF DAMAGE AND ARE ONLY AWARDED IN EXCEPTIONAL CASES AND FOR DOMINATING REASONS OF JUSTICE

As indicated above, the District Court found (Acct. R. 121):

> "9. Defendant's infringement was neither deliberately wilful nor in bad faith. * * * Defendant contested in good faith all claims of infringement and unfair competition charged herein, its defense was sustained in part, and its defense on the limited relief granted to plaintiff was reasonably debatable."

The Circuit Court of Appeals found, 119 F. (2nd) 316, 324.

> "There is no finding of fact in the case at bar, and we find no evidence in the record to support the inference that appellee adopted the symbol used on its heels for the fraudulent purpose of attracting to itself business or sales which belonged to appellant and there is no evidence that any such sales occurred. * * * No justification is found in the record for an inference that any one appears to have been deceived by appellee's trade-mark into purchasing its shoe heels and lifts in the belief that he was purchasing shoe heels produced by appellant."

In the dissenting opinion of Mr. Justice Black in 316 U. S. 203 at page 208, it is said:

> "In any event, the economic rivalry, if it existed at all, was so remote and indirect that an injunction alone would seem to have afforded ample relief against the infringement, found by both courts below to have been without fraudulent intent. * * *
>
> If the respondent had wilfully palmed off the heels it sold as products of the petitioner, and if it had been shown that the petitioner suffered any injury, I should agree to a decision resolving doubts about the measure of damages in favor of the petitioner."

We understand the law, as previously enunciated by this Court, to be that litigation expenses and attorneys fees of the plaintiff are not appropriately an element of his damage.

As early as 1796 this Court in the case of *Arcambel v. Wiseman,* 3 Dallas 306, declined to include counsel fees as an element of damages.

In 1851 in the early case of *Day v. Woodworth,* 54 U. S. 363, this question was raised and exhaustively considered in an opinion by Mr. Justice Grier wherein it was held that attorneys fees and litigation expenses cannot be considered by the jury as an element of damage and an instruction to that effect by the trial court was affirmed. We quote in part from the opinion (371):

> "It is true that damages, assessed by way of example, may thus indirectly compensate the plaintiff for money expended in counsel fees; but the amount of these fees cannot be taken as the measure of punishment or a necessary element in its infliction. * * *

The Court then exhaustively discusses the history of the principle here under consideration.

> "The only instance where this power of increasing the 'actual damages' is given by statute is in the patent laws of the United States. But there it is given to the court and not to the jury. The jury must find the 'actual damages' incurred by the plaintiff at the time his suit was brought; and if, in the opinion of the court, the defendant has not acted in good faith, or has been stubbornly litigious, or has caused unnecessary expense and trouble to the plaintiff, the court may increase the amount of the verdict, to the extent of trebling it. But this penalty cannot, and ought not, to be twice inflicted; first at the discretion of the jury, and again at the discretion of the court. The expenses of the defendant over and above taxed costs are usually as great as those of plaintiff; and yet neither court nor jury can compensate him if the verdict and judgment be in his favor, or amerce the plaintiff *pro falso clamore* beyond tax costs."

In the case at bar the inequity of awarding petitioner part or all of its litigation expenses is manifest. As indicated by Conclusion of Law number 6, (Acct. R. 123), petitioner has prevailed on only two issues; respondent has prevailed on four. If either litigant should have its litigation expenses it should be respondent since it has prevailed on more issues.

The same question of including counsel fees as an element of damage was carefully considered in 1872 in the case of *Oelrichs v. Spain,* 15 Wall. 211 at page 230 and 231 where *Day v. Woodworth, supra,* was cited and quoted from. The opinion carefully reviews earlier authorities, discuses the "danger of abuse," the difficulty of ascertaining the proper amount and concludes by saying:

> (231) "We think the principle of disallowance rests on a solid foundation, and that the opposite rule is forbidden by the analogies of the law and sound public policy."

This Court has declined to award litigation expenses in a patent infringement case even though the decree provided for "such damages, if any, in addition to profits as he sustained by reason of said infringement."

In *Parks v. Booth,* 102 U. S. 96, (1880), the plaintiff sued the defendant for infringement and accounting of profits and damages for infringing upon invented new and useful improvement in grain separators. It is said:

> (96) "The court rendered a decree May 9, 1874, adjudging that the letters were valid, that the defendants had infringed them, and that the complainant recover the profits, gains, and advantages which the defendants received, or which accrued to them since November 29, 1864, by the manufacture, use and sale of the improvements described and secured by the re-issued letters, *and also such damages, if any, in addition to profits as he sustained by reason of said infringement.* (Italics ours.) The case was referred to a Master to ascertain the damages and profits, who filed this report, November 24, 1875, awarding to the complainant, on account of profits, $9,944.09; *and as damages, being expenses of conducting the suit, $627.20;* (italics ours) and compensation for the complainant's time, $420; making in all $10,991.29."

The finding of infringement was sustained and on page 106 this Court said:

> "Expenses to the amount of $627.20, *including counsel fees,* were allowed to the complainant beyond the taxable costs, which, together with the entire interest allowed, must be deducted from the decree."

The basic jurisdiction of the District Court to allow litigation expenses and attorneys fees is recognized and discussed in *Sprague v. Ticonic National Bank,* 307 U. S. 161 (1939), where it is said on page 166:

> "Plainly the foundation for this historic practice of granting reimbursement for the costs of litigation other than the conventional taxable costs is part of the original authority of the chancellor to do equity in a particular situation."

and on page 167:

> "In any event such allowances are appropriate only in exceptional cases and for dominating reasons of justice."

This court further recognized that the "fairness of making an award, or the extent of such award as between solicitor and client" must be considered by the District Court (page 170) " 'in the light of the appropriate equitable considerations.' "

It is manifest from *Universal Oil Products Co. v. Root Refining Co.*, 328 U. S. 575, that the awarding of attorneys fees should be sparingly exercised.

In the trade-mark case of *Gold Dust Corporation v. Hoffenberg*, 87 F. (2nd) 451, the Second Circuit Court of Appeals, in connection with the allowance of counsel fees and litigation expenses said:

> (453) "Both in federal and state courts it is established in actions at law and almost uniformly settled in equity cases that counsel fees may not be recovered. * * *
>
> "Aside from any question of power, therefore, we are committed to the settled equity practice outlined above that counsel fees will not usually be allowed against an unsuccessful litigant.
>
> "The decree will be modified by striking out the allowance of attorney's fees, and, as modified, affirmed."

The Sixth Circuit Court of Appeals has in an appropriate case awarded attorneys fees but only where there was a finding of wilful and malicious conduct. In *K. W. Ignition Company v. Temco Electric Motor Company*, C. C. A. 6, 283 Fed. 873, there was a finding of

> "wilful and malicious conduct of the defendants" (874).

Other findings of deliberate and wilful fraud were made on page 875 of the opinion. But such are not the facts of this case as we have indicated above.

From the foregoing we submit that it must be concluded that no new and novel question of law of general importance has been raised. In fact, the principle that attorneys fees are not an appropriate element of damage but are at the discretion of the Chancellor, has been settled in this Court one hundred fifty years.

B.

THERE IS NO CONFLICT BETWEEN THE SIXTH AND SEVENTH CIRCUIT COURTS OF APPEAL ON THE QUESTION OF AWARDING ATTORNEYS' FEES AND LITIGATION EXPENSES

Petitioner relies upon an asserted conflict between the Seventh Circuit Court of Appeals in *Aladdin Manufacturing Company v. Mantle Lamp Co.* (C. C. A. 7), 116 F. (2nd) 708, and our case at bar. We submit that there can be no conflict in the law when the facts in the two cases are diametrically opposite.

In the present case, as we have indicated, respondent's (S. S. Kresge Company) infringement was neither deliberately wilful nor in bad faith. It contested in good faith and reasonably all claims of unlawful action and was sustained in part and lost in part (Short R. 123).

Yet in the Aladdin case relied upon by petitioner to establish its claimed conflict, the Seventh Circuit Court of Appeals found:

> (716) "By its wilful, wanton and intentional infringement and unfair competition defendant was stamped a deliberate tort feasor."

The Sixth Circuit Court of Appeals under circumstances and findings of fact similar to those in the Aladdin case have likewise awarded litigation expenses.

In *K. W. Ignition Company v. Temco Electric Motor Company,* C. C. A. 6, 283 Federal 873, there was a finding of

> "wilful and malicious conduct of the defendants" (874).

Further acts of fraud are detailed on page 875 justifying the award of "plaintiff's expenses of a protracted litigation" (881).

In the Aladdin case, *supra,* the Master found fraudulent and wilful infringement of a very serious nature and recommended "punitive damages, consisting of costs of litigation." The Seventh Circuit sustained the Master's recommendation (p. 717).

From the foregoing cases it is manifest that the Seventh and Sixth Circuit Courts are in harmony. Each has awarded litigation expenses predicated upon a finding of wilful and wanton infringement. But the findings of fact in our case are to the contrary.

In *Enterprise Manufacturing Company v. Shakespeare Company,* C. C. A. 6, 141 F. (2nd), 916 at page 920, the Sixth Circuit said

> "(9-11) To question the validity of a patent does not, of itself, constitute wilful infringement. *Gen-*

> *eral Motors Corporation v. Dailey,* 6 Cir., 93 F. 2d. 938, 942. If honestly mistaken as to a reasonably debatable question of validity, an infringer should not be made to smart in punitive damages. • • • A court of equity, exercising patent jurisdiction, does not readily infer wrong motivation upon the part of those resisting the validity of patent claims. Patentees generally entertain suspicion that those who challenge their claims are deliberate malefactors. However *bona fide,* such suspicions produce no legal effect, unless sustained by evidence substantiating suspicion as truth."

We think it may be concluded fairly from the foregoing that there exists no conflict between the Sixth and Seventh Circuit Courts. That, in fact, the Courts are in harmony and no reviewable question has thus been raised by petitioner under this heading.

POINT II

A.

THE ACCOUNTING FOLLOWS THE MANDATE OF THIS COURT

The majority opinion written by Mr. Justice Frankfurter, concludes with the following:

> "If the petitioner suffered damages beyond the loss of profits the decree should provide for the assessment of such damages" (316 U. S. 208).

It will be noticed that this language is practically identical to that quoted by us from *Parks v. Booth,* 102 U. S. 96, (See p. 11 this brief, *supra*) yet this Court there declined to award litigation expenses as "damages."

This Court in remanding our case (316 U. S. 203, 208) very properly referred the question of "damages beyond

the loss of profits" to the lower Court which specifically found that:

> "there were no damages suffered by plaintiff from trade-mark infringement or unfair competition beyond the loss of profits specified in Finding 6." (Acct. R. 121.)

The question of the awarding of litigation expenses, attorneys fees and costs was given careful consideration by District Judge Lederle in his findings (Acct. R. 121, Par. 9 and Acct. R. 123, Par. 5, 6 and 7).

Petitioner seems to assume that every red trade-mark is a deliberate infringement of its mark. This, of course, is not the case. In *Mishawaka v. Panther Panco Rubber Company,* 153 F. (2nd) 662 the First Circuit Court of Appeals declined to hold that the red trade-mark on the replacement heels of the defendant company was an infringement of petitioner's red plug registration, saying at page 666:

> "It is an inescapable weakness of plaintiff's mark that the general public will not always associate a red circle with plaintiff's product; it is too familiar with the everyday use of a red circle as a display background. Such association will only result where the red circle is so used as to convey the impression of being the trade-mark itself rather than serving merely as a background for the projection of some word or phrase or design."

Certiorari denied October 14, 1946, (328 U. S. XIV, 67 S. Ct. 64). Petition for re-hearing denied November 12, 1946 (67 S. Ct. 183). Second petition for re-hearing denied June 9, 1947 (67 S. Ct. 1526).

This Court has had occasion to discuss its opinion in *Mishawaka v. S. S. Kresge Company* in the recent case of *Champion Spark Plug Company v. Sanders,* 67 S. Ct.

1136, where Justice Douglas, speaking for the court said at page 1139 (331 U. S. 125, 131):

> "*Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, 316 U. S. 203, 62 S. Ct. 1022, 86 L. Ed. 1381, states the rule governing an accounting of profits where a trade mark has been infringed and where there is a basis for finding damage to the plaintiff and profit to the infringer. *But it does not stand for the proposition that an accounting will be ordered merely because there has been an infringement.* Under the Trade Mark Act of 1905, as under its predecessors, an accounting has been denied where an injunction will satisfy the equities of the case. (Citations omitted.) The same is true in case of unfair competition. *Straus v. Notaseme Co.*, 240 U. S. 179, 181-183, 36 S. Ct. 288, 289, 60 L. Ed. 590. Here as we have noted, there has been no showing of fraud or palming off. * * * In view of these various circumstances it seems to us that the injunction will satisfy the equities of the case."

Here, as there, "there has been no showing of fraud or palming off." We believe that the record indicates that both the District Court and the Circuit Court of Appeals attempted to satisfy the equities of our case.

B.

THE ACCOUNTING IS COMPLETE AND FOLLOWS THE FINAL JUDGMENT. IT INCLUDES THE "RED OR REDDISH" INFRINGING HEELS AND EXCLUDES ORANGE, GREEN AND ALL OTHER NON-INFRINGING HEELS

Petitioner in this Court, as in the Circuit Court of Appeals, persists in its effort to claim that the "red or reddish" limitation was intended to include orange. This is not correct. The Court intended to, and did, exclude orange.

On December 5, 1939, petitioner filed its proposed decree (Orig. R. 310). In this decree it proposed an injunction as follows:

> "(b) From selling or offering for sale or aiding, assisting, abetting or encouraging others to sell any footwear or parts thereof or therefor or any goods of a similar class not manufactured and sold by the plaintiff herein and bearing a circular mark of *red or reddish color including orange* or any colorable variation thereof * * *."

Respondent's proposed decree (Orig. R. 322-323) and the District Court's final decree both limited the injunction to "circular marks of red or reddish color" specifically excluding orange.

It will be noticed that the phrase "including orange" which petitioner had included in its proposed decree was deliberately omitted from the District Court's decree (Orig. R. 323).

We respectfully refer this Court to the first petition for certiorari filed by this same petitioner in this Court in the October term of 1941, No. 649. Certiorari as to Point III was denied. (See *Mishawaka Rubber and Woolen Manufacturing Co. v. S. S. Kresge Co.*, 314 U. S. 603, 62

S. Ct. 183.) Since the District Court's decree carefully limiting the injunction to the "Red or reddish circular mark" was affirmed by the Circuit Court of Appeals and certiorari thereon denied, petitioner's request under this heading is simply a belated effort to review again, and enlarge upon, the relief already granted and long since res adjudicata.

C.

BOTH LOWER COURTS FOUND THAT DEFENDANT'S INFRINGEMENT WAS NEITHER DELIBERATELY WILFUL NOR IN BAD FAITH

Under this heading petitioner evidently would like to have this Court review the facts which the two lower courts have found in respondent's favor. We rest our answer to this contention by quoting from the two lower courts. The District Court found (Acct. R. 121):

> "9. Defendant's infringement was neither deliberately wilful nor in bad faith. * * *
>
> 10. There were no damages suffered by plaintiff from trade mark infringement or unfair competition beyond the loss of profits specified in finding 6."

On the first appeal the Circuit Court of Appeals said (119 F. (2nd) 316, 324):

> "There is no finding of fact in the case at bar, and we find no evidence in the record to support the inference that appellee adopted the symbol used on its heels for the fraudulent purpose of attracting to itself business or sales which belonged to appellant and there is no evidence that any such sales occurred. * * * No justification is found in the record for an inference that any one appears to have been deceived by appellee's trade-mark into purchasing its shoe heels and lifts in the belief that he was purchasing the heels produced by appellant."

In the dissenting opinion of Mr. Justice Black in this case previously before this Court on the limited certiorari granted it is said (316 U. S. 203 at page 208):

> "In any event, the economic rivalry, if it existed at all, was so remote and indirect that an injunction alone would seem to have afforded ample relief against the infringement, found by both courts below to have been without fraudulent intent. * * *
>
> If the respondent had wilfully palmed off the heels it sold as products of the petitioner, and if it had been shown that the petitioner suffered any injury, I should agree to a decision resolving doubts about the measure of damages in favor of the petitioner."

This Court has recently indicated that it is the province of the trial court and not the Appellate Courts to make the findings of fact. (See *Walling v. General Industries Co.*, 330 U. S. 545, 550, 67 S. Ct. 883, 885). This case should form no exception to that rule.

D.

THERE WAS NO UNFAIR COMPETITION. PETITIONER IS A WHOLESALER AND RESPONDENT IS A RETAILER. THE DISTRICT COURT SPECIFICALLY FOUND THAT THERE WAS NO PALMING OFF

Under this heading of UNFAIR COMPETITION petitioner persists in its citation of the District Court's original findings filed December 6, 1938 (Short R. 120). As we have previously indicated, these original findings were modified and changed by amended findings (Short R. 124), and additional amended findings (Short R. 126). The finings of the District Court on the Accounting (Acct. R. 118) are entirely consistent with these amened findings (Short R. 124) which again limited the infringement to the "red or reddish" limitation and to the additional

amended findings which found no palming off by respondent and no loss of sales by petitioner.

The District Court found, and the Circuit Court of Appeals affirmed the finding, of the following facts:

> There was no palming off (Short R. 129, Paragraph a).
>
> There was no proof that petitioner lost any sales as a result of respondent's technical infringement. (Short R. 128, Paragraph c.)
>
> There was no indiscriminate mixing by respondent although "subsequently some of these heels became indiscriminately mixed." (Short R. 129.)
>
> Nearly all of the Kresge heels bore marks, symbols, or indicia indicating that its heels were not plaintiff's heels. (Short R. 129, e.)
>
> There was no proof of any purchaser being misled. (Short R. 128 h.)

No amount of argument on the part of petitioner can convert an orange mark into a red or reddish mark, nor create unfair competition where none existed. The findings of the two lower courts are clear and unambiguous. The intent was to restrain the further sale of red or reddish heels exemplified by Exhibits 79 and 54 and to award an accounting as to those only (Acct. R. 19).

POINT III

RESPONDENT DID NOT USE THE INFRINGING RED OR REDDISH HEELS TO PROMOTE THE SALE OF NON-INFRINGING HEELS AND SUCH SALES DID NOT RESULT FROM THE TECHNICAL INFRINGEMENT FOUND

Contrary to petitioner's statement under this heading it is not the law of this case that respondent was guilty of unfair competition in its methods of sale. Petitioner again overlooks the fact that the trial court's original findings were amended.

As indicated in Judge Lederle's opinion (Acct. R. 119) the only unlawful acts of the defendant, S. S. Kresge Company, were its sales of red Crusader and red Sure Foot heels exemplified by plaintiff's Exhibits 79 and 54 respectively (See also colloquy Acct. R. 40-41). This finding by the trial court was affirmed by the Circuit Court of Appeals in its opinion (119 F. (2) 316) where it stated (p. 322):

> "Broadly stated, appellant attacks the decree in two particulars: 1. That the Court should have enjoined the appellee from selling any heels with a disc of different color from the remainder of the heel;"

and again on page 325 where it stated:

> "In our opinion the symbols and lettering descriptive of the articles and bearing the names of appellant and appellee respectively as manufacturers or producers, are entirely unlike in arrangement, general form and appearance insomuch that no one could mistake the lifts and heels of appellee, excluded from the lower court's injunction, for those of appellant."

on page 326:

> "The injunction which was granted was expressly limited to prohibiting the use of any red or reddish circular ball figure, appearing on the face portion of the heel, * * *"

and on page 326:

> "The case of appellant is not very strong on the facts, yet it seems to be entitled to the carefully limited injunction and accounting of profits which was granted."

Thereafter, as we have indicated, Mishawaka petitioned for a writ of certiorari and the Supreme Court of the United States denied its request with respect to an enlargement of the "red or reddish" limitation in the injunctive and accounting relief granted.

We respectfully refer this Court to Judge Lederle's Additional Amended Findings of Fact (a) (c) (d) (e) (h) (Short R. 128-9).

It is evident from the foregoing that Judge Lederle was fully justified in denying to Mishawaka its request that Kresge account for the sale of these non-infringing heels in colors other than red or reddish. Judge Lederle again found in his accounting opinion (Acct. (R. 121, Par. 8):

> "Sales of such other types of heels did not result directly or indirectly from defendant's sale or offering for sale of heels specified in finding 6" (the red or reddish heels exemplified by Exhibits 54 and 79).

As indicated by the trial court's findings and by the Circuit Court's opinion there has yet to be produced one single purchoser who has been misled by Kresge's sale

or offering for sale of the two infringing red or reddish heels (Exhibits 54-79).

The record justified the findings of fact of the District Court which "shall not be set aside unless clearly erroneous." Civil Procedure Rule 52, 28 U. S. C. A. following section 723C; *Walling v. General Industries Company*, 330 U. S. 545, 550; 67 S. Ct. 883, 885; See also *Enterprise Manufacturing Company v. Shakespeare Company*, 141 F. (2nd) 916, 919.

Petitioner's argument under this heading lacks basis in fact.

CONCLUSION

For the foregoing reasons, respondent moves the Court to deny the petition for writ of certiorari.

Respectfully submitted,

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